


# COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	<b>22-435</b>	Meeting:	<b>September 12, 2022</b>
	Agenda Item:	<b>EX.2</b>	Roll Call:	<b>22-1483</b>
	Submitted by:	<b>Matthew A. Anderson, Deputy City Manager</b>		

## AGENDA HEADING:

Approval of purchase and sale contract with Nationwide Mutual Insurance Company for the purchase of 1200 Locust Street, 1200 Mulberry Street, and assignment of parking lot lease at 13th Street and Walnut Street.

## SYNOPSIS:

The City Council is asked to approve a purchase agreement for an office building and parking garage located at 1200 Locust Street and 1200 Mulberry Street respectively as well as the assignment of a parking lot lease at 13<sup>th</sup> Street and Walnut Street.

City administration and Police Department staff currently operate in multiple buildings at scattered locations throughout the City. Some staff, such as the Housing and Civil and Human Rights Divisions, are located in leased space. Other departments, such as Human Resources Department, have moved to space not originally intended for their use due to overcrowding at existing facilities. The City's three (3) primary riverfront buildings (City Hall, Argonne Armory, and Police Station) are 80 – 110 years old and the Armory and Police Station need substantial reinvestment. Police Station operations face significant space and parking shortages, while their current facilities sit at the edge of Market District redevelopment area.

With 360,000 square feet of office space and over 1,600 structured parking spaces, the skywalk-connected 1200 Locust and 1200 Mulberry can meet the City's long-term facilities needs at a fraction of the cost of building new facilities and allow for continued growth of services, which will never be accommodated in existing facilities.

## FISCAL IMPACT:

### Amount:

- 1200 Locust Street and the Assignment of Parking Lot Lease: \$30,000,000
  - Includes earnest money in the amount of \$106,000
- 1200 Mulberry Street: \$10,600,000

Funding Source: The earnest money will be paid from the unallocated general fund. The remainder of the purchase price for 1200 Locust Street, the Assignment of Parking Lot Lease, and 1200 Mulberry Street will be determined during the budget process.

**ADDITIONAL INFORMATION:**

- The City has conducted space needs assessments for the Police Station and Armory building replacements. Land across from City Hall has been reserved for the Armory replacement and the CIP provides for \$36 million in future years to construct this building. A potential location for a Police Station replacement has not been identified and the projected cost – in excess of \$100 million – is not budgeted in the 5-year CIP.
- 1200 Locust has the potential to meet Police Station and City administration needs in a single location with adequate skywalk-connected parking for all staff and visitors. The 5-story building features a wide-open, H-shaped design allowing for easy reconfiguration. Existing ground-level commercial leases will be honored and will provide a new amenity for employees.
- The Purchase Agreement includes a nine (9) month due diligence period for the City to conduct various physical and legal examinations along with the space planning and lease purchase agreements (LPA) solicitation referenced below. The purchase price includes \$106,000 of earnest money to applied to the purchase upon closing. During the due diligence period, if the City elects, it may terminate this agreement and receive a full refund of the earnest money.
- Upon approval of this Purchase Agreement, a Request for Proposal (RFP) will be issued soliciting professional services to conduct a workspace utilization study. It is not yet known which Armory, City Hall, and remote offices will be relocated to 1200 Locust and what operational efficiencies can be gained by co-locating certain functions. The study will inform those decisions.
- Concurrently, the Finance Department investigated potential means of finance, including bonds and LPA.
- The closing of the purchase transactions shall take place on or before thirty (30) days following the due diligence expiration date for the office building and December 31, 2025, for the parking garage. Because employees will be slowly phased into the building, it is proposed that the City lease parking spaces from Nationwide in the interim.
- Should the consultant's space analysis determine that the building is too small or otherwise inadequate for the City's needs, the Purchase Agreements can be cancelled at no cost to the City.
- Relocating City staff to 1200 Locust will open redevelopment opportunities at three (3) City locations:
  - Argonne Armory Building – 602 Robert D. Ray Drive
  - Police Station Headquarters – 25 E First Street
  - Vacant land across from City Hall – 401 Robert D. Ray Drive
- Reuses and timing of redevelopment opportunities are not yet known but development solicitations will begin as the timing of staff relocations becomes clearer.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Approval of professional services agreement for architectural consulting services.
- Approval of financing for purchase.
- Potential actions related to administration of agreement and repurposing of existing City-owned buildings and land.

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